

## The Next Generation of Law Firm Leaders

*By Natasha Innocenti*

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What happens when a firm leader steps down or retires? What does that kind of transition mean for a firm? And who will fill those shoes? These questions have been asked for years, but have a new sense of urgency and complexity today, particularly in Northern California, where firms hope to gain a foothold in Silicon Valley.

In fact, two iconic Silicon Valley firms, Wilson Sonsini and Fenwick, have been ahead of the curve in grooming managers and giving them real responsibility. Although Larry Sonsini remains Chairman of the firm, John Roos took the helm as CEO for several years, handing that role to Steve Bochner in 2009 when Roos was appointed U.S. Ambassador to Japan. More recently Jack Sheridan and Doug Clark have been named Co-Managing Partners of the firm. Gordy Davidson named Kathryn Fritz of Fenwick & West Managing Partner while maintaining his role as Chair (he's been serially re-elected since he took the job in 1995).

We are faced with a generation of expansionist law firm chairs who will be or have already stepped down. Recently O'Melveny & Myers, DLA Piper and Morrison & Foerster have put in place new firm Chairs or Co-chairs. Goodwin Procter appointed a new Managing Partner. And Orrick publicly announced that Ralph Baxter will step down in 2013. Such transitions can reveal great firm culture, or can be sources of division within the firm, sometimes leading to the departure of unsuccessful candidates.

Keith Wetmore has been Chair of Morrison & Foerster for 12 years and will be replaced in October by Larren Nashelsky. During Wetmore's tenure, MoFo's annual revenue grew almost \$500M. The transition at MoFo was smooth. Wetmore says, "We have no competing elections at MoFo. We have extensive consultation resulting in a consensus choice." He adds, "You can get the wrong people if you only consider those who are prepared to put their own name forward."

How law firms handle succession, and more importantly, how they develop leaders among younger partners, will determine which firms become the next winners in an increasingly competitive legal landscape. Some firms are actively cultivating leaders, handing over the reins of practice management, the running of key offices and membership on the executive committee to partners in their forties.

## Some Good Examples

Geoff Howard of Bingham McCutchen, who graduated from Harvard Law School in 1991, now leads Bingham's San Francisco office, serves as Co-Chair of the firm's Intellectual Property Group and is a member of the Firm Committee (a governing body for the firm a bit bigger than a typical Executive Committee). It is no accident that Bingham has put him in these roles. In fact, they've been grooming Howard for a long time.

For years Howard has been invited to the firm's annual gathering of firm leaders, which in recent years has expanded to include a broader group of next generation firm leaders. Now there is a more formal leadership training forum at Bingham, which is still a "work in progress" but involves sending two attorneys a year to an intensive two week program on leadership at Harvard Law School, which Howard says, "inculcates the values of collaboration and sharing in the firm." As part of the new leadership development program, the firm also brought over 30 next generation leaders from around the globe together for an intensive 3 day training program at Harvard this summer. Howard believes leaders have to be brilliant communicators, road warriors traveling to firm offices and knowing the people in the firm really well. Such leaders "have their finger on the pulse of global, social and business events."

Karen Silverman was recently named Office Managing Partner for Latham & Watkins' San Francisco office, has been listed among the Top Women Lawyers for several years, was named by *The Daily Journal* as a Top 100 lawyer in California and is a Chambers-ranked partner in antitrust counseling and litigation. She says that effective leadership requires, "credibility, reason, insight, humor, hubris, some creativity, and a balance of a strong sense of direction on the one hand and sufficient open-mindedness on the other." When asked how a slowing economy changes things for law firm leaders, she declares, "Each of those qualities becomes more intensely important."

Unlike Bingham, Latham does not have a formal leadership development program. However, Latham is well-known for its committee system, which allows for a transparent decision-making process and provides numerous opportunities for leadership roles. "Our Associates Committee, for example, has input into partnership decisions and other management activities important to the firm," notes Silverman. Partners and associates comprise the committee in roughly equal proportion - and many associates continue on to other leadership roles (including Bob Dell, most notably, who served on the committee as an associate before he eventually became Chairman of the firm).

When asked what she has done to develop herself as a leader, Silverman states, "Watch, listen and learn. Repeat. A lot. I read some, and ask questions, also a lot. The questions get smarter before I do." She goes on, "The philosophy by which a firm methodically and with discipline refreshes leadership and encourages leadership at all levels, is a deeply cultural matter."

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Often one of the primary tasks of a firm leader is to grow and build key practice areas. This has become more difficult in recent economic times. Sharon Flanagan is the managing partner of Sidley's San Francisco office, a role she assumed at the age of 39. Sidley currently has 55 lawyers in San Francisco who practice in areas including antitrust, securities litigation, IP litigation, white collar, capital markets, M&A, hedge funds, tax and health care. Since becoming the office MP, Sharon has focused on strategic growth, adding a hedge funds practice, a white collar practice and a tax practice.

In addition to the new practice groups, she also opened an office in Palo Alto: "We believed we could offer companies in Silicon Valley the top tier practices they would need to compete in a business environment that has become increasingly global and focused on regulatory initiatives. We were able to execute this strategic plan and open the office in January of 2009 notwithstanding the financial crisis, because we have the resources and long-term perspective to make that investment," says Flanagan. Under the leadership of Tom DeFilipps, Sidley now has 25 attorneys in Palo Alto.

## **Training is Continuous**

Each of the young leaders we spoke with continues to be mentored by more senior members of the firm who convey and preserve the core cultural values of the firm. Sidley's West Coast offices are led by Anne Rea who is on the firm's 10-person Management Committee. Flanagan notes, "I have known Anne since I was a summer associate in Chicago and have watched and learned from her leadership style over the past 17 years. Anne is an incredible leader who is able to bring people together and build consensus. Consensus-building is a hallmark of the Sidley approach to leadership. Even when difficult decisions need to be made, it helps when everyone has a voice in the decision and has been heard."

## **Focus Needs to be Clear**

How does all this leadership development translate in the coming years? As legal recruiters, we have seen the changes in what law firm laterals care about. There was a time when opening an office for an out of town firm was a novel and compelling opportunity. Then the focus shifted to how and whether a firm had globalized, what they had going in China and Europe. More recently, as we have seen firm dissolutions become more regular events, partners ask about lines of credit and firm financials. And more and more, partners want to know what the succession plan is at the firms they might consider joining.

The great visionary leaders over the past 20 years reinvented the firms they led. Orrick went from being a San Francisco-based bond finance firm to a global powerhouse under Ralph Baxter. Latham went from an LBO shop out of Los Angeles to a firm taking market share in the major financial centers of the world under Bob Dell. Reed Smith, DLA Piper and Bingham employed a "roll-up" strategy, carefully identifying and qualifying merger targets to become major international players, no longer defined by their geographies of origin. The leaders who shepherded these three firms through so much transformation - Greg Jordan, Lee Miller and Frank Burch, and Jay Zimmerman - will hand over the reins at some point (in fact, DLA Piper has already begun that process). These men seized control during an expansionist economy and turned regional law firms into global institutions.

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What will the leaders of tomorrow face? Big law firms have to balance the need for strong billable hours and high utilization with a global economy in flux. Many of the firms mentioned here made big plays in Europe just as that region hit an economic slow-down some compare to Japan in the 90's. How will the next generation of law firm leaders handle the latest challenges?

Jeffrey Lowe, Global Leader for Major, Lindsey & Africa's Partner Practice Group, believes that, "law firm leaders will need to think outside the box, and realize that the paradigm that worked prior to 2008 won't work going forward." He goes on to predict that the challenges tomorrow's firm leaders will face will be the "never-ending pressure brought by clients around billing rates and the need to adjust firm staffing models to operate efficiently and effectively."

Howard says, "It is very important to have a conscious, thoughtful and deliberate leadership and succession plan – a 10-year plan focused on next and next-next generation leaders, identifying who is being developed behind the current leaders, and those behind them, so that to the extent possible you are not caught off guard and instead are reaping the benefit of this thought leadership."

Now more than ever, law firm leaders have to be nimble. Pressures from a client base buffeted by a slowing economy are intense. As a result, law firm managers face immediate and unprecedented structural challenges. These challenges will have to be addressed head on, with a business orientation, if firms are going to enjoy the kind of growth we saw over the past 20 years. Enlightened firms are looking years down the road, grooming their best and brightest, and developing future leadership capacity. This the only way these firms can guarantee future success and preserve their strong legacies.

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